

CITY OF ALTA VISTA
WABAUNSEE COUNTY, KANSAS
INDEPENDENT AUDITORS' REPORT AND
STATUTORY BASIS FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

ALDRICH AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
COUNCIL GROVE, KANSAS 66846

City of Alta Vista
Wabaunsee County, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS
Year Ended December 31, 2010

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ALDRICH & COMPANY, LLC

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COUNCIL GROVE, KS 66846

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Mayor and City Council
City of Alta Vista, Kansas

We have audited the accompanying financial statements of the City of Alta Vista, Kansas, as of and for the year ended December 31, 2010 as listed in the table of contents. These statutory basis financial statements are the responsibility of City of Alta Vista, Kansas, management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's 2009 financial statements and, in our report dated November 15, 2010, we expressed an unqualified opinion on the respective financial statements on the statutory basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City of Alta Vista, Kansas, prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of differences between these regulatory practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Alta Vista, Kansas, as of December 31, 2010, the changes in its financial position, or where applicable, its cash flows for the year then ended. Further, the City of Alta Vista, Kansas has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Also, in our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Alta Vista, Kansas, as of December 31, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Aldrich & Company, LLC

Aldrich & Company LLC
Certified Public Accountants

October 14, 2011

The City of Alta Vista
Wabaunsee County, Kansas

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds						
General	\$ 78,781	\$ 161,319	\$ 179,310	\$ 60,790	\$ 4,968	\$ 65,758
Special Revenue						
Special parks	836	750	0	1,586	0	1,586
Special highway	86,079	11,225	0	97,304	0	97,304
Equipment reserve	62,078	61,151	71,000	52,229	0	52,229
Capital improvements	103,374	0	0	103,374	0	103,374
Debt Service						
Bond and interest	13,074	0	0	13,074	0	13,074
Proprietary Type Funds						
Gas utility	652,376	313	2,736	649,953	0	649,953
Sewer utility	25,285	73,411	91,841	6,855	645	7,500
Sewer reserve	24,000	3,000	0	27,000	0	27,000
Water utility	3,923	111,908	90,712	25,119	4,291	29,410
Refuse utility	5,715	27,509	27,872	5,352	2,231	7,583
Total Reporting Entity	<u>\$ 1,055,521</u>	<u>\$ 450,586</u>	<u>\$ 463,471</u>	<u>\$ 1,042,636</u>	<u>\$ 12,135</u>	<u>\$ 1,054,771</u>

Petty Cash	\$ 25
Alta Vista State Bank	
Regular checking	829,746
Certificates of deposit	225,000
Total reporting entity	<u>\$ 1,054,771</u>

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 2

Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Type Funds:					
General	\$ 192,300	\$ 0	\$ 192,300	\$ 179,310	\$ 12,990
Special Revenue					
Special park	0	0	0	0	0
Special highway	98,517		98,517	0	98,517
Debt Service					
Bond and interest	11,115		11,115	0	11,115
Proprietary Type Funds					
Gas utility	14,000		14,000	2,736	11,264
Sewer utility	94,300		94,300	91,841	2,459
Water utility	98,300		98,300	90,712	7,588
Refuse utility	28,850		28,850	27,872	978

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-1

GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
	Actual	Actual	Budget	
Cash Receipts				
Taxes				
Wabaunsee County	\$ 105,494	\$ 102,702	\$ 103,202	\$ (500)
Liquor tax	0	0	0	0
Franchise taxes	14,303	23,251	12,200	11,051
Total Taxes	119,797	125,953	115,402	10,551
Intergovernmental				
FEMA & Kansas Emergency Prep	0	0	0	0
Sales tax	15,765	15,911	18,000	(2,089)
Total Intergovernmental	15,765	15,911	18,000	(2,089)
Licenses and Permits				
Licenses, Permits, and Fines	1,878	2,565	2,200	365
Use of Money and Property				
Interest on deposits	4,973	3,823	2,800	1,023
Miscellaneous Revenue				
Other	36,684	13,067	6,000	7,067
Operating Transfers				
Gas utility	0	0	14,000	(14,000)
Total Transfers	0	0	14,000	(14,000)
Total Cash Receipts	\$ 179,097	\$ 161,319	\$ 158,402	\$ 2,917

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-1

GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Expenditures				
General				
Personal	\$ 22,376	\$ 22,392	\$ 22,000	\$ (392)
Contractual	48,905	15,002	10,000	(5,002)
Commodities	5,379	4,931	4,200	(731)
Capital outlay	0	0	1,000	1,000
Total General	76,660	42,325	37,200	(5,125)
Fire Department				
Personal	0	0	1,100	1,100
Contractual	3,776	3,934	5,100	1,166
Commodities	5,902	4,148	2,000	(2,148)
Capital outlay	0	0	5,000	5,000
Total Fire Department	9,678	8,082	13,200	5,118
Public Safety				
Personal	0	0	1,000	1,000
Contractual	2,929	10,051	15,100	5,049
Commodities	58	14,682	1,000	(13,682)
Capital outlay	5,491	0	1,000	1,000
Total Public Safety	8,478	24,733	18,100	(6,633)
Parks Department				
Personal	0	0	1,000	1,000
Contractual	9,419	1,522	2,800	1,278
Commodities	458	404	1,000	596
Capital outlay	0	0	1,000	1,000
Total Parks Department	9,877	1,926	5,800	3,874
Street Department				
Personal	10,547	17,165	12,000	(5,165)
Contractual	9,423	12,807	6,000	(6,807)
Commodities	6,409	12,272	40,000	27,728
Capital outlay	13,000	0	0	0
Adjustment for qualifying budget credits	0	0	0	0
Total Street Department	39,379	42,244	58,000	15,756
Operating transfers	15,000	60,000	60,000	0
 Total Expenditures	 \$ 159,072	 \$ 179,310	 \$ 192,300	 \$ 12,990

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-1

GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Cash Receipts				
Carried Forward	\$ 179,097	\$ 161,319	\$ 158,402	\$ 2,917
Total Expenditures				
Carried Forward	<u>159,072</u>	<u>179,310</u>	<u>192,300</u>	<u>12,990</u>
Receipts Over (Under) Expenditures	20,025	(17,991)	<u>\$ (33,898)</u>	<u>\$ 15,907</u>
Unencumbered Cash Balance, January 1	<u>58,756</u>	<u>78,781</u>		
Unencumbered Cash Balance, December 31	<u>\$ 78,781</u>	<u>\$ 60,790</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-2

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

SPECIAL PARKS FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Liquor tax	\$ 0	\$ 0	\$ 0	\$ 0
Other	835	750	0	750
Total Cash Receipts	835	750	0	750
Expenditures				
Park expenditures	0	0	0	0
Adjustment for qualifying budget credits	0	0	0	0
Total Expenditures	0	0	0	0
Receipts Over (Under) Expenditures	835	750	\$ 0	\$ 750
Unencumbered Cash Balance, January 1	1	836		
Unencumbered Cash Balance, December 31	\$ 836	\$ 1,586		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-3

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

SPECIAL HIGHWAY FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State of Kansas	\$ 10,582	\$ 11,225	\$ 12,150	\$ (925)
Expenditures				
Street repair & maintenance	<u>0</u>	<u>0</u>	<u>98,517</u>	<u>98,517</u>
Receipts Over (Under) Expenditures	10,582	11,225	<u>\$ (86,367)</u>	<u>\$ 97,592</u>
Unencumbered Cash Balance, January 1	<u>75,497</u>	<u>86,079</u>		
Unencumbered Cash Balance, December 31	<u>\$ 86,079</u>	<u>\$ 97,304</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-4

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

EQUIPMENT RESERVE

	<u>2009</u>	<u>2010</u>
Cash Receipts		
Transfer from general	\$ 15,000	\$ 60,000
Other receipts	<u>5,247</u>	<u>1,151</u>
Total Cash Receipts	20,247	61,151
Expenditures		
Equipment	<u>3,813</u>	<u>71,000</u>
Receipts Over (Under) Expenditures	16,434	(9,849)
Unencumbered Cash Balance, January 1	<u>45,644</u>	<u>62,078</u>
Unencumbered Cash Balance, December 31	<u>\$ 62,078</u>	<u>\$ 52,229</u>

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-5

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

CAPITAL IMPROVEMENT

	<u>2009</u>	<u>2010</u>
Cash Receipts		
Transfer from general	\$ 0	\$ 0
Expenditures		
Capital improvements	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash Balance, January 1	<u>103,374</u>	<u>103,374</u>
Unencumbered Cash Balance, December 31	<u>\$ 103,374</u>	<u>\$ 103,374</u>

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-6

DEBT SERVICE
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

BOND AND INTEREST

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Wabaunsee County	\$ 33	\$ 0	\$ 0	\$ 0
Expenditures				
Temporary notes				
Principal	0	0	11,115	11,115
Interest	0	0	0	0
Cash basis reserve	0	0	0	0
Total Expenditures	0	0	11,115	11,115
Receipts Over (Under) Expenditures	33	0	<u>\$ (11,115)</u>	<u>\$ 11,115</u>
Unencumbered Cash Balance, January 1	<u>13,041</u>	<u>13,074</u>		
Unencumbered Cash Balance, December 31	<u>\$ 13,074</u>	<u>\$ 13,074</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-7

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

GAS UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sales to customers	\$ 276,859	\$ 0	\$ 0	\$ 0
Interest	4,254	313	0	313
Sale of system	420,000	0	0	0
Other receipts	11,762	0	0	0
Penalties and connection fees	64	0	0	0
Total Cash Receipts	712,939	313	0	313
Expenditures				
Personal services	18,747	0	0	0
Contractual services	16,002	351	0	(351)
Commodities	85,730	0	0	0
Refunds	0	2,385	0	(2,385)
Sales tax	0	0	0	0
Transfer to general	0	0	14,000	14,000
Total Expenditures	120,479	2,736	14,000	11,264
Receipts Over (Under) Expenditures	592,460	(2,423)	<u>\$ (14,000)</u>	<u>\$ 11,577</u>
Unencumbered Cash Balance, January 1	59,916	652,376		
Unencumbered Cash Balance, December 31	<u>\$ 652,376</u>	<u>\$ 649,953</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-8

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

SEWER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sales to customers	\$ 71,196	\$ 73,411	\$ 76,000	\$ (2,589)
Other receipts	0	0	0	0
Total Cash Receipts	71,196	73,411	76,000	(2,589)
Expenditures				
Personal services	12,928	14,668	15,500	832
Contractual services	11,349	11,583	12,702	1,119
Commodities	11,594	12,492	13,000	508
Capital outlay	0	0	0	0
Transfer to sewer reserve	3,000	3,000	3,000	0
Principal & interest	50,098	50,098	50,098	0
Total Expenditures	88,969	91,841	94,300	2,459
Receipts over (under) Expenditures	(17,773)	(18,430)	<u>\$ (18,300)</u>	<u>\$ (130)</u>
Unencumbered Cash Balance, January 1	<u>43,058</u>	<u>25,285</u>		
Unencumbered Cash Balance, December 31	<u>\$ 25,285</u>	<u>\$ 6,855</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-9

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

SEWER RESERVE

	<u>2009</u>	<u>2010</u>
Cash Receipts		
Transfer from sewer utility	\$ 3,000	\$ 3,000
Expenditures		
Sewer maintenance	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	3,000	3,000
Unencumbered Cash Balance, January 1	<u>21,000</u>	<u>24,000</u>
Unencumbered Cash Balance, December 31	<u>\$ 24,000</u>	<u>\$ 27,000</u>

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-10

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

WATER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sales to customers	\$ 103,772	\$ 103,584	\$ 112,000	\$ (8,416)
Other	8,609	8,324	0	8,324
Total Cash Receipts	112,381	111,908	112,000	(92)
Expenditures				
Personal services	22,396	25,521	26,000	479
Commodities	10,071	6,135	7,000	865
Water purchased	32,072	31,804	42,300	10,496
Contractual services	58,536	27,252	23,000	(4,252)
Temporary notes paid	39,406	0	0	0
Capital outlay	0	0	0	0
Total Expenditures	162,481	90,712	98,300	7,588
Receipts Over (Under) Expenditures	(50,100)	21,196	\$ 13,700	\$ 7,496
Unencumbered Cash Balance, January 1	54,023	3,923		
Unencumbered Cash Balance, December 31	\$ 3,923	\$ 25,119		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-11

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
With Comparative Actual Totals for the Year Ended December 31, 2009

REFUSE UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sales to customers	\$ 25,924	\$ 27,509	\$ 28,100	\$ (591)
Expenditures				
Personal services	778	741	850	109
Contractual services	28,145	27,131	28,000	869
Total Expenditures	28,923	27,872	28,850	978
Receipts Over (Under) Expenditures	(2,999)	(363)	\$ (750)	\$ 387
Unencumbered Cash Balance, January 1	8,714	5,715		
Unencumbered Cash Balance, December 31	\$ 5,715	\$ 5,352		

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Alta Vista is a governmental entity and operates under a Mayor-Council form of Government. The City provides the following services: public safety (police and fire), streets, sanitation, water, recreation, public improvements, planning and zoning and general administrative services. The City owned Gas Utility, which served Dwight, Kansas as well as Alta Vista, was sold in 2009.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The basic--but not the only--criterion for including a potential component unit within the reporting entity is financial accountability. The most significant manifestation of the criterion is financial dependence. Other manifestations of the criteria include but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Using this criterion, no component units were identified as part of the reporting entity of the City.

Fund Accounting

The accounts of the City are organized and operated on the basis of funds, which are used to record the City's financial transactions. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Cash and other financial resources are recorded together with all related expenditures. A fund is used to segregate specific activities and for the purpose of attaining certain objectives in accordance with special regulations, restrictions, or limitations including State Statutes and City Ordinances. The following types of funds comprise the financial activities of the City.

Governmental Funds:

General Fund -- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund -- Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Funds:

Enterprise Funds -- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City of Alta Vista has four enterprise funds: gas, sewer, water and refuse.

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund that the transfer is made.

The City has approved a resolution waiving the requirement for application of generally accepted accounting principles, which allows the City to revert of the statutory basis of accounting under K.S.A. 75-1120a(c).

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense; liabilities such as deferred revenue and matured principal and interest payable; and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods sold and services received during the year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Reimbursements

The city records reimbursable expenditures in the fund that makes the disbursement and records the reimbursement as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

NOTE 2 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held,

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - BUDGETARY INFORMATION (CONT)

and the governing body may amend the budget at that time. The refuse, water, and sewer funds were amended in 2010 increasing expenditure authority from \$26,400, \$87,300, and \$92,298 to \$28,850, \$98,300, and \$94,300 respectively.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, permanent funds, and the following special revenue funds: equipment reserve, capital improvement, and sewer reserve.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 3 - CASH AND DEPOSITS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The city has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S. A. 9-1402 and 9-1405.

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The city has no designated peak periods. All deposits were legally secured at December 31, 2010.

The City maintains a cash pool that is available for use by all funds. At year-end, the carrying amount of the city's deposits was \$1,054,746. The bank balance was \$1,054,562. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. The bank balance was entirely covered by FDIC insurance. The city held no other investments at December 31, 2010.

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 4 - PROPERTY TAXES

The City certifies its' budget to the county clerk annually. Using this certified budget and those of other political subdivisions within the county, the county clerk spreads the annual assessment onto the tax rolls and levies property tax on November 1 of each year. The property tax is payable in two installments. The first installment is due December 20 of the same year. The second installment is due May 10 of the subsequent year. The county collects and distributes the property taxes. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the following year's operations.

NOTE 5 - COMPENSATED ABSENCES

Vacation for full time employees is based on years of employment. One week is earned upon completion of the first year of service, two weeks after the second year, and three weeks after ten years of service. Employees are given compensatory time off, in lieu of cash payments, for the overtime worked. Full time employees earn four hours of sick leave for each full month of service cumulative to no more than one hundred and twenty hours. Upon termination an employee will be compensated for any earned but unused sick leave and vacation leave. The amount is disclosed as a part of long-term debt. Amounts paid for compensated absences are paid from the fund that corresponds to the employees duties.

NOTE 6 - COMPARATIVE DATA

The amounts shown for 2009 in the financial statements are included, where practicable, only to provide a basis for comparison with 2010, and are not intended to present all information necessary for a fair presentation in accordance with the cash basis and budget laws of Kansas. Interfund eliminations have not been made in the aggregation of this data.

NOTE 7 - LONG-TERM DEBT

KDHE Loan

A new 4-cell sewage facility was constructed at a cost of \$1,152,740. A community development block grant from the Kansas Department of Commerce for \$400,000 was awarded to the city for the project on June 15, 2001. The city expended \$387,836 of grant proceeds. Additional financing of \$764,904 was obtained from the Kansas Department of Health and Environment with a loan agreement executed on May 22, 2001. Semi-annual payments of \$25,842.51 began on March 1, 2003. Beginning September 1, 2008, the payment schedule was revised and the remaining balance due was scheduled to be paid with twenty-nine semi-annual payments of \$25,048.90.

Temporary Notes Payable

The City issued \$38,500 of temporary notes in 2007 to finance water system improvements. Semiannual interest payments of \$904.75 are scheduled beginning November 15, 2007. A principal payment of \$38,500 was paid in May 2009.

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 7 - LONG-TERM DEBT (CONT)

Changes in long term liabilities for the year ended December 31, 2010 were as follows:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Payable January 1</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance Payable December 31</u>	<u>Interest Paid</u>
Temporary Notes										
Water loan	4.70%	5/16/2007	\$ 38,500	5/15/2009	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
KDHE loans:										
KDHE Water Pollution Control Revolving Fund Revenues	3.08%	4/28/2001	767,904	3/1/2022	<u>533,346</u>	<u>0</u>	<u>33,930</u>	<u>0</u>	<u>499,416</u>	<u>16,168</u>
Total contractual indebtedness					533,346	0	33,930		499,416	16,168
Compensated absences					<u>3,318</u>	<u>0</u>	<u>0</u>	<u>(154)</u>	<u>3,164</u>	
Total long-term debt					<u>\$ 536,664</u>	<u>\$ 0</u>	<u>\$ 33,930</u>	<u>\$ (154)</u>	<u>\$ 502,580</u>	<u>\$ 16,168</u>

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 7 - LONG-TERM DEBT (CONT)

Current maturities on long term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2022</u>	<u>Total</u>
Principal								
KDHE loans:								
KDHE Water Pollution Rev Loan	<u>34,983</u>	<u>36,069</u>	<u>37,188</u>	<u>38,343</u>	<u>39,533</u>	<u>216,846</u>	<u>96,454</u>	<u>499,416</u>
Total Principal	<u>34,983</u>	<u>36,069</u>	<u>37,188</u>	<u>38,343</u>	<u>39,533</u>	<u>216,846</u>	<u>96,454</u>	<u>499,416</u>
Interest								
KDHE loans:								
KDHE Water Pollution Rev Loan	<u>15,115</u>	<u>14,029</u>	<u>12,909</u>	<u>11,755</u>	<u>10,565</u>	<u>33,643</u>	<u>3,742</u>	<u>101,758</u>
Total Interest	<u>15,115</u>	<u>14,029</u>	<u>12,909</u>	<u>11,755</u>	<u>10,565</u>	<u>33,643</u>	<u>3,742</u>	<u>101,758</u>
Total Principal and Interest	<u>\$ 50,098</u>	<u>\$ 50,098</u>	<u>\$ 50,097</u>	<u>\$ 50,098</u>	<u>\$ 50,098</u>	<u>\$ 250,489</u>	<u>\$ 100,196</u>	<u>\$ 601,174</u>

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 8 - FUND TRANSFERS

The sewer fund made a transfer to the sewer reserve fund of \$3,000 pursuant to K.S.A. 12-631o. A transfer of \$60,000 was also made from the general fund to the equipment reserve fund pursuant to K.S.A. 12-1,117.

NOTE 9 - COMPLIANCE FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the municipality.

Management is not aware of any items of noncompliance with Kansas statutes.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan description The City of Alta Vista participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined pension benefit plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2010 was 7.14% with a 1% reduction for April through June. The City of Alta Vista contributions to KPERS for the years ending December 31, 2010, 2009, and 2008, were \$2,315, \$3,915, and \$1,710, respectively, equal to the required contributions for each year.

NOTE 11 - WATER SUPPLY CONTRACT

The City of Alta Vista entered into a contract on July 13, 1992, with the Rural Water District No. 1, Morris County, Kansas, for the purpose of obtaining a source of water for the City. Rural Water District No. 1 is a Kansas entity formed under Kansas Statutes Annotated 82a-612. Per contract, Rural Water District No. 1 constructed a water supply and distribution system. The Rural Water District will deliver to the City potable treated water, meeting applicable quality standards of the Kansas Department of Health and Environment, a maximum daily amount not to exceed 86,000 gallons. On July 15, 1994, the Rural Water District delivered water to the City of Alta Vista. The City has no right of ownership in the fixed assets or interest in the net income or loss of the Rural Water District. The City of Alta Vista's obligation is to pay the Water District a total fixed monthly charge of \$913 and to purchase a minimum of 750,000 gallons of water per month for \$1.40 per 1000 gallons. The rate of \$1.40 per thousand gallons of water is subject to modification at the end of two full calendar years of operation and thereafter, annually at the end of every year. The full faith and credit of the City is not pledged; and the City has no obligation to levy a tax to make any payment pursuant to this contract. However, the City will adjust water rates charged its users at a level sufficient to meet the City's obligations. The City's contract obligation to purchase water from the Rural Water District extends for a term of 40 years from the date of the initial delivery of any water to the City. The contract does not contain a termination clause. In the event of any occurrence rendering the Water District incapable of performing under this contract, any successor of the Water District, whether the result of legal

City of Alta Vista
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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 11 - WATER SUPPLY CONTRACT (CONT)

process, assignment, or otherwise, shall succeed to the rights of the Water District.

During 2010, the City purchased 11,939,000 gallons of water from the Rural Water District for \$31,804; which includes the fixed charge of \$913 per month for twelve months. This amount has been considered to be a commodity expenditure of the Utility fund in 2010.

No provision has been made in the financial statements for the amount remaining to be paid to the Rural Water District over the life of the contract for the water to be purchased by the City.

The City's obligation will continue in effect until July 15, 2034.

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Commercial insurance is purchased from independent third parties. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in prior years.

NOTE 13 – SALE OF GAS UTILITY

On April 7, 2009, the citizens of Alta Vista approved the sale of the gas utility system to Kansas Gas Service. After receiving approval from the Kansas Corporation Commission, the city entered into a contract to sell the system for \$420,000 effective June 1, 2009. The city retained unpaid accounts receivable for services prior to that date. The city has no other obligation in regard to the gas utility other than retained liabilities arising out of, or related to, the city's ownership of assets and/or the operation of the gas utility.

NOTE 14 – RELATED PARTY TRANSACTIONS

The City experienced a large hail storm on June 15, 2009. City property was consequently damaged. K-Construction, Inc. performed repairs to city property in the amount of \$38,937. A council member is a shareholder of this company. This amount was reimbursed by the city's insurance carrier.

NOTE 15 – WATER PROJECT

The City applied for loan and grant funds to fund a water/street project with the estimated cost of \$859,000. On July 26, 2010, the City was notified that it had been approved for an USDA Rural Development loan in the amount of \$359,000. On August 4, 2010, the City was notified that it had received a \$500,000 Small Cities Community Development Block Grant. As of December 31, 2010, \$4,448 had been expended for the project from the city general and water funds. The project is expected to be completed during 2011.